GradeMax



Mark Scheme (Results)

October 2021

Pearson Edexcel International Advanced Subsidiary
In Accounting (WAC11)
Paper 1: The Accounting System and Costing

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October 2021
Publications Code WAC11_01_2110_MS
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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Mark Scheme

WAC11 October 2021

1 (a)(i) **AO1 (4), AO2 (8), AO3 (2)**

AO1: Four marks for correct transfers without adjustment

AO2: Eight marks correct transfer with an adjustment

AO3: Two marks for more than one adjustment to entry

Ajaz

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 April 2021

	£	£
Revenue		860 000
less		
Opening inventory	65 000	
Purchases	710 000	
	775 000	
Closing inventory	(95 000)	
Cost of sales		(680 000) **(1)** AO3 +w
Gross profit		180 000
Plus		
Commission receivable (8 500 + 3 000)	11 500 **(1)** AO2	
Profit on sale on non-current assets	5 700 **(1)** AO1	
		17 200
		197 200 **(1)** AO2
less		
Bank loan interest (2 000 + 1 500)	3 500 **(1)** AO2	
Rent payable	20 000 **(1)** AO1	
Wages and salaries (53 500 - 6 000)	47 500 **(1)** AO2	
Advertising (11 900 - 1 200)	10 700 **(1)** AO2	
Electricity and water (7 650 – 600 + 250)	7 300 **(1)** AO3	
General expenses	34 350 **(1)** AO1	
Shop redecoration costs	8 000 **(1)** AO1	
Provisions for depreciation:		
Delivery vehicle	13 000 **(1)** AO2	
Computer equipment	4 000 **(1)** AO2	
Fixtures and fittings	2 700 **(1)** AO2	
		(151 050)
Profit for the year		46 150

(14)

(ii) **AO1 (6), AO2 (10), AO3 (1)**
AO1: Six marks for correct transfers without adjustment
A02: Ten marks correct entries requiring calculations
AO3: One mark for calculation of netted trade receivables

Statement of Financial Position at 30 April 2021

Non-current Assets			
	Cost	Accumulated Depreciation	Carrying value
	£	£	£
Delivery vehicles	72 000	(20 000)	52 000 **(1of)** AO2
Computer equipment	42 000	(12 000)	30 000 **(1of)** AO2
Fixtures and fittings	18 000	(6 700)	11 300 **(1of)** AO2
	132 000	(38 700)	93 300 **(1)** AO1
Current Assets			
Inventory		95 000 **(1)** AO1	
Trade receivables	38 000		
Less Allowance	(2 000)		
		36 000 **(1)** AO3	
Other receivables (3 000 **[1]**		4 800 **(3)** AO2	
+ 600 **[1]** + 1 200 **[1]**)			135 800
Total Assets			229 100
Capital		50 000	
Profit for the year		46 150 of	
		96 150	
Drawings (5 800 + 6 000)		(11 800) **(1)** AO2	
			84 350 **(1of)** AO2
Non-current Liabilities (1) AO1			
7% bank loan			50 000 **(1)** AO1
Current Liabilities			
Trade payables		74 000 **(1)** AO1	
Other payables (250**[1]** + 1 500**[1]**)		1 750 **(2)** AO2	
Bank overdraft		19 000 **(1)** AO1	
			94 750
Total Capital and Liabilities			229 100

(17)

(b) **AO1 (2), AO2 (6), AO3 (4)**
AO1: Two marks for correct transfers
A02: Six marks for correct entries and calculations
AO3: Four marks for calculation of current assets and current liabilities

(i) Gross profit as a percentage of revenue.

$\frac{180\,000}{860\,000}$ **(1of)** AO1 x 100 = 20.93% **(1of)** AO1

(ii) Percentage return on capital employed.

$\frac{46\,150 \text{ of } + 3\,500}{50\,000 + 50\,000}$ **(1of)** AO2 x $\frac{100}{1}$ = $\frac{49\,650 \times 100}{100\,000}$ = 49.65% **(1of)** AO2

Note: candidates may use the closing capital £84 350 (of) or average capital.

(iii) Inventory turnover (times per year)

$\frac{680\,000}{(65\,000 + 95\,000)/2}$ = 8.50 times **(1)** AO2 **(1)** AO2

(iv) Current ratio.

$\frac{95\,000 + 36\,000 + 4\,800}{19\,000 + 74\,000 + 1\,750}$ = $\frac{135\,800}{94\,750}$ **(1of)** AO3 **(1of)** AO3= 1.43:1 **(1of)** AO2

(v) Liquid (acid test) ratio.

$\frac{36\,000 + 4\,800}{19\,000 + 74\,000 + 1\,750}$ = $\frac{40\,800}{94\,750}$ **(1of)** AO3 **(1of)** AO3= 0.43:1 **(1of)** AO2

(12)

1(c)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** **A01: One marks for knowing identifying positive and negative aspects of this proposal.** **A02: One marks for applying positive or negative aspects of this proposal.** **A03: Five marks for interpreting and analysing the proposal.** **A04: Five marks for evaluating the scenario counter balancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** **Own figure rule applies in evaluation** Potential positive arguments The profitability of the business is very good. The business is making a reasonable percentage gross profit to revenue of 20.93%. The business is also making a good profit for the year at £46 150 which represents a 5.36% profit to revenue. The percentage return on capital employed is very good at 49.65%. The inventory is turning over at a high rate for a furniture retailer at 8.5 times per year. The non-current assets are all relatively new with little accumulated depreciation. Potential negative arguments The liquidity at 1.43:1 is just within the accepted benchmarks of 1.4-2:1 for the Current ratio and at 0.43:1 is well below the 0.7-1:1 for the liquid (acid test) ratio. The trade payables are very high at £74 000. The business has a bank overdraft of £19 000 and may find difficulty in paying trade payables and expenses. The inventory has increased from £65 000 to £95 000 in the year. Decision Candidates may arrive at a positive or negative conclusion but may consider that the business has good profitability but poor liquidity. Candidate's conclusion should be supported by an appropriate rationale.	

Level	**Mark**	**Descriptor**
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario.

		Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

Total 55 marks

2(a) **AO1 (8), AO2 (17), AO3 (2)**
AO1: Eight marks for correct transfers without adjustment
AO2: Seventeen marks correct apportionment and posting
AO3: Two marks for more than one adjustment and calculation to entry

Christos Auto Services
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 April 2021

	Auto repairs	**Tyre replacement**
	£	**£**
Revenue	132 000	95 000 **(1)** AO1 both
Less		
Opening inventory	640	2 000
Purchases	19 300	44 750
Purchase returns	(1 300) **(1)** AO1	-
	18 640 **(1)** AO2	46 750
Closing inventory	(730)	(5 400)
Cost of sales	(17 910)	(41 350) **(1)** AO2 + w
Gross profit	114 090	53 650 **(1of)** AO1 + w
less		
Wages	37 500 **(1)** AO1	18 900 **(1)** AO2
Premises rent	16 000 **(1)** AO2	8 000 **(1)** AO2
Light and heat	4 200 **(1)** AO2	2 100 **(1)** AO2
Cleaning of premises	1 800 **(1)** AO2	900 **(1)** AO2
Management salary	12 000 **(1)** AO2	4 800 **(1)** AO2
Insurance of premises	1 400 **(1)** AO2	700 **(1)** AO2
Insurance of equipment	1 200 **(1)** AO2	400 **(1)** AO2
General expenses	5 400 **(1)** AO3	3 600 **(1)** AO3
Advertising	1 100 **(1)** AO1	3 000 **(1)** AO1
Depreciation - Equipment	12 000 **(1)** AO2	4 000 **(1)** AO2
Loose tools	2 000 **(1)** AO1	-
	(94 600)	(46 400)
Departmental profit/(loss)	19 490	7 250 **(1of)** AO1 +w both

(27)

(b) **AO1 (4)**
AO1: Four marks for explaining the difference

Perpetual inventory
The chosen **method of valuation e.g FIFO (1)** AO1 is applied after **each and every receipt/issue** of inventory. **(1)** AO1

Periodic inventory
The **inventory remaining (1)** AO1 will have the chosen method of valuation is applied at the **end of a trading period**. **(1)** AO1

(4)

(c) **AO1 (4), AO2 (4)**
AO1: Four marks for opening balance and valuation of remainder of opening balance
AO2: Four marks correct calculation of balances

LIFO calculation for tyres

Date		**Receipts**	**Issues (sales)**	**Balance**
		£	**£**	**£**
2020				
1 May	Balance			50@£40 =2 000 **(1)** AO1
May-July	Receipts and issues	200@£45	180	50@£40 **(1)** AO1
				20@£45= 2 900 **(1)** AO2
Aug-Oct	Receipts and issues	200@£50	240	30@£40=1 200 **(1)** AO2
Nov-Jan	Receipts and issues	250 @£55	210	30@£40 **(1)** AO1
				40@£55=3 400 **(1)** AO2
Feb-April	Receipts and issues	200@£60	180	30@£40 **(1)** AO1
				40@£55
				20@£60=4 600 **(1)** AO2

(8)

(d) **AO1 (2)**
AO1: Two marks for stating the disadvantages

If prices are rising
Profit will be lower as cost of goods will be higher. **(1)** AO1
Inventory will be valued at less than market value if prices are rising. **(1)** AO1
Not approved by tax authorities/ not commonly used or accepted. **(1)** AO1
2 x **(1)** AO1 Max 2 (2)

(e) **AO1 (1):AO2 (1)**
AO1: One mark identifying the value of the adjustment
AO2: One mark for calculating the revised profit

Closing inventory £5 400 – £ 4 600 of = £800 **(1of)** AO1

Departmental profit £7 250 of - £800 = £6 450 **(1of)** AO2

(2)

2(f)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** **A01: One marks for knowing identifying positive and negative aspects of this proposal.** **A02: One marks for applying positive or negative aspects of this proposal.** **A03: Five marks for interpreting and analysing the proposal.** **A04: Five marks for evaluating the scenario counter balancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential positive arguments Workers may complete jobs in less time. Labour cost for the completion of each job will fall. Workers may become more motivated. Productivity will increase. Meet social responsibility to adequately remunerate workers. Potential negative arguments Quality of work may fall as workers try to complete jobs in less time to earn bonus payments. Teamwork may be reduced as workers become concerned about earning individual bonus. There is a greater risk of accidents as workers 'cut corners' to earn bonus payments. Additional supervision may be required. Decision Candidates may arrive at a positive or negative conclusion about the use of a bonus scheme. Candidate's conclusion should be supported by an appropriate rationale.	**(12)**

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid.

		A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

Total 55 marks

3 (a) **AO1 (5), AO2 (2), AO3 (1)**
AO1: Five marks for correct transfers without adjustment
A02: Two marks correct entries and calculations
AO3: One mark for calculation of other expenses

Bank Account

Date	Details	£	Date	Details	£
2020/21			2020/21		
1 May	Capital	4 000		Trade payables/purchases	72 110 **(1)** AO1
	Trade receivables/sales	111 600 **(1)** AO1		Non-current assets	27 000 **(1)** AO1
	6% bank loan	30 000 **(1)** AO1		Rent	7 500 **(1)** AO2
				Wages	12 100 **(1)** AO2
				Drawings	4 800 **(1)** AO1
				General expenses	14 820 **(1)** AO3
			30 April	Balance c/d	7 270
		145 600			145 600
1 May	Balance b/d	7 270			

(8)

(b) (i) **AO1 (4), AO2 (3), AO3 (1)**
AO1: Four marks for correct transfers without adjustment
AO2: Three marks correct entries and calculations
AO3: One mark for correct calculation and recording of bank loan interest

Hugsy
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2021

	£	**£**
Revenue		126 400 **(1)** AO1
Less		
Purchases	78 350 **(1)** AO1	
Less Closing inventory	(7 900)	
Cost of sales		(70 450) **(1of)** AO2 + w
Gross profit		55 950
less		
Depreciation on non-current assets	6 500 **(1)** AO2	
Rent	10 000 **(1)** AO1	
Wages	13 200 **(1)** AO2	
Other expenses	15 500 **(1)** AO1	
Bank loan interest	1 350 **(1)** AO3	
		(46 550)
Profit for the year		9 400

(8)

(ii) **AO2 (7), AO3 (1)**
A02: Seven marks correct entries and calculations
AO3: One marks for correct preparation of current assets

Statement of Financial Position at 30 April 2021.

	£	**£**
Non-current Assets		20 500 **(1)** AO2
Current Assets		
Inventory	7 900	
Trade receivables	14 800	
Other receivables	720 **(1**) AO2	
Bank	7 270 (of)	
		30 690 **(1of)** AO3
		51 190
Capital	4 000	
Profit for the year	9 400 of	
	13 400	
Drawings	(4 800)	
		8 600 **(1of)** AO2
Non-current Liabilities		
6% bank loan		30 000 **(1)** AO2 +w
Current Liabilities		
Trade payables	6 240	
Other payables (2 500 + 1 100 +1 400 +1 350)	6 350 **(3)** AO2	
Two correct **[1]** AO2 Three correct **[2]** AO2		12 590
Four correct **[3]** AO2		51 190

(8)

(c) **AO2 (1), AO3 (2), AO4 (3)**

Points in favour of a formal set of books of account

Can manage the business more effectively.
Can address queries from suppliers or customers.
Can establish profit/loss at regular intervals.
Trade receivables and trade payables balances available.

Points against a formal set of books

The time and cost in maintaining formal records.
Will require some professional input.
May have to learn how to keep books herself.

Conclusion

Candidates may conclude that maintaining formal books is positive or negative. Candidates conclusion should be supported by an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(6)

Q3	**Total marks**	**30**

4 (a) **AO1 (2)**
A01: Two marks for stating the difference

Receipts and Payments Account	**Income and Expenditure Account**
Records cash movements	Records income and expenses incurred
Records capital expenditure made	Records amount used - depreciation
Balance of cash is carried forward	Surplus made in a period is established
Cash book of the club	Income statement of the club

2 x **(1)** AO1 (2)

(b) **AO1 (7), AO3 (1)**
A01: Seven marks for correct entry in trial balance
AO3: One marks for calculating the accumulated fund

Trial Balance at 30 April 2021

	Dr	Cr
	£	£
Subscriptions		2 750
Equipment (carrying value)	5 700	
Inventory - club shop	800	
Rent payable	500	
Electricity	525	
Cash	75	
Bank overdraft		1 180
Bank charges	60	
Competition entry fees received		720
Competition prizes paid	680	
Club shop sales		4 350
Club shop purchases	3 600	
Trade payables		1 500
General expenses	2 160	
Accumulated fund	_____	3 600 **(1)** AO3
	14 100	14 100

1 mark for each 2 correct items in trial balance **(1)** AO1 x 7

(8)

(c) **AO2 (12), AO3 (2)**
A02: Twelve marks correct entries and calculations
AO3: Two marks for correct two stage calculations
(i)

Subscriptions Account

Date	Details	£	Date	Details	£
2020/21			2020/21		
30 April	Income and Expenditure	2 950 **(1)** AO3		Cash/Bank	2 750 **(1)** AO2
			30 April	Irrecoverable debt	250 **(1)** AO2
30 April	Balance c/d	150	30 April	Balance c/d	100
		3 100			3 100
1 May	Balance b/d	100	1 May	Balance b/d	150 **(1)** AO2 Both

(4)

(ii) Club Shop Trading Account for the year ended 30 April 2021

	£	£
Revenue		4 350
less		
Opening inventory	800	
Purchases	3 600	
Purchase returns	(200)	
	4 200 **(1)** AO2	
Closing inventory	(930)	
Cost of sales		(3 270) **(1)** AO3 + w
Gross profit/Profit		1 080 **(1of)** AO2 + w

(3)

(iii) Income and Expenditure Account for the year ended 30 April 2021

	£	£
Income		
Subscriptions		2 950 **(1of)** AO2
Profit from club shop		1 080 Both
Competitions		
Entry fees	720	
Prizes	(680)	
Profit on competitions		40 **(1)** AO2
		4 070
Less Expenditure		
Rent payable	500 **(1)** AO2	
Electricity	525 Both	
Bank charges	60 **(1)**AO2	
General expenses	2 160 Both	
Irrecoverable debts	250 **(1)** AO2	
Depreciation - equipment	800 **(1)** AO2	
		(4 295)
Deficit		(225) **(1of)** AO2+w

(7)

(d) **AO2 (1), AO3 (2), AO4 (3)**

Points in favour of 10-year membership
Positive initial cash flow which would remove the bank overdraft.
Will attract more members.
Members will be tied to the club for a long period.
Reduces administration costs of collection and irrecoverable debts.

Points against 10-year membership
The discount will reduce the overall payment over 10 years and reduce annual surpluses.
There is a liability on the Club to provide 10 years services.
Cash flow will diminish in future years.

Conclusion
Candidates may conclude that the 10-year membership is positive or negative. Candidates' conclusion should be supported by an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(6)

Q4	**Total marks**	**30**

5(a) **AO1 (3), AO2 (11), AO3 (2)**
AO1: Three marks for correct headings and transfers without adjustment
A02: Eleven marks correct entries and calculations
AO3: Two marks for correct two stage calculations

Manufacturing Account for the month of April 2021

	£	£
Opening inventory of raw materials	2 500	
Purchases of raw materials	10 200 **(1)** AO2	
	12 700	
Closing inventory of raw materials	(4 700) **(1)** AO2	
Cost of raw materials consumed		8 000 **(1)** AO3
Direct labour		6 600 **(1)** AO3
Sundry expenses (direct)		1 530 **(1)** AO2
Prime Cost (1) AO1		16 130 **(1of)** AO2+ w
Overheads:		
Sundry expenses (indirect)	4 590 **(1)** AO2	
Supervision	2 500 **(1)** AO1	
Rent and rates	2 000 **(1)** AO2	
Equipment depreciation	1 250 **(1)** AO2	
		10 340
		26 470 **(1of)** AO1
Work in progress		
1 April	1 970	
30 April	(1 800)	
		170 **(1)** AO1
		26 640
Profit on manufacture		5 328 **(1of)** AO2 + w
Transfer value **(1)** AO1		31 968 **(1of)** AO1 + w

(16)

(b) AO1 (6)AO2 (1), AO3 (1)
AO1: Six marks for process
A02: One mark for calculation of provision
AO3: One mark for calculation of adjustment

(i) The value of the opening balance will be £15 000 **(1)** AO2 on the credit side **(1)** AO1. The balance at the end of the month will be £10 000 and therefore £5 000 **(1)** AO3 will be debited to the account. **(1)** AO1

(ii) The £5 000 **(1of)** AO1 will be credited/added to profit in the account. **(1of)** AO1

(iii) The closing balance of the Provision for Unrealised Profit Account (£10 000) **(1)** AO1 will be deducted **(1)** AO1 from the value of finished goods.

(8)

(c) **AO2 (1), AO3 (2), AO4 (3)**

Points in favour of **cost plus 20%**
Easy to calculate.
Transfer cost per unit can be compared with purchase price from an external source.
Complies with consistency concept as this method is currently being used.

Points in favour of **fixed price per unit**
Efficiency can be measured accurately.
Rate can be set at market/purchase price.
Gives managers a clear target to achieve.

Conclusion
Candidates may conclude that it is better to use cost plus or fixed price per unit. Candidates' conclusion should be supported by an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(6)

Q5	**Total marks**	**30**

6(a) **AO1 (4)**
AO1: Four marks for explaining two reasons

- Checking device for errors **(1)** AO1to ensure that the double entry has been correctly applied/ is accurate. **(1)** AO1
- Totals accounts **(1)** AO1 for easy preparation of financial statements. **(1)** AO1
- They can reduce fraud **(1)** AO1as there will be a division of duties in preparation of the accounts. **(1)** AO1

2 points x 2 marks MAX (4)

(b) AO2 (12), AO3 (3)
A02: Twelve mark for correct posting
AO3: Three mark for calculation and correct posting
(I)

Trade Receivables Control Account

Date	Details	£	Date	Details	£
2021			2021		
1 April	Balance b/d	2 750	1 April	Balance b/d	175
April	Sales (revenue)	3 400 **(1)** AO3	April	Bank (Receipts)	3 050 **(1)** AO2
	Bank(disho'ed ch)	180 **(1)** AO2		Discount allowed	150 **(1)** AO2
	Adjustment (Contra)	140 **(1)** AO3		Irrecoverable debt	650 **(1)** AO2
30 April	Balance c/d	25	30 April	Balance c/d	2 470
		6 495			6 495
1 May	Balance b/d	2 470 **(1of)** AO2 Both	1 May	Balance b/d	25

(7)

(II)

Trade Payables Control Account

Date	Details	£	Date	Details	£
2021			2021		
1 April	Balance b/d	265	1 April	Balance b/d	1 900
April	Bank (payments)	1 950 **(1)** AO2	April	Purchases	2 250 **(1)** AO3
	Discount received	90 **(1)** AO2		Bank (int'st charged)	25 **(1)** AO2
	Purchase returns	450 **(1)** AO2		Bank (refund)	410 **(1)** AO2
				Adjustment (Contra)	140 **(1)** AO2
30 April	Balance c/d	2 075	30 April	Balance c/d	105
		4 830			4 830
1 May	Balance b/d	105	1 May	Balance b/d	2 075 **(1of)** AO2 Both

(8)

(c) AO1 (2)
AO1: Two marks for stating two possible reasons

- Customers have overpaid/ paid in advance.
- Customer failed to take correct cash discount.
- Customer returned goods after payment.

2 x **(1)** AO1 (2)

(d) AO1 (3)
AO1: Three marks for explaining the reason why

James's business deals with another business and he is a supplier of goods and a purchaser of goods from that person. **(1)** AO1 The balance owed to the supplier is 'set off' against the balance owed by the creditor. **(1)** AO1 Therefore only one settlement cheque is required. **(1)** AO1
(3)

(e) **AO2 (1), AO3 (2), AO4 (3)**

Points in favour of profit motive

Profit is required to maintain and grow the business.
Owners looking at the 'bottom line' profit for returns on investment.

Points against profit motive

Need to consider liquidity particularly if the business is new.
Need to consider social accounting factors e.g employees, community.
Consideration of these factors in the policies of the business will produce longer term benefits and profit.

Decision

Candidates may conclude that the profit motive on its own is beneficial or not. Candidate's conclusion should be supported by an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(6)

Q6	**Total marks**	**30**